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Consumer Federation of America  
Consumer Federation of America Foundation

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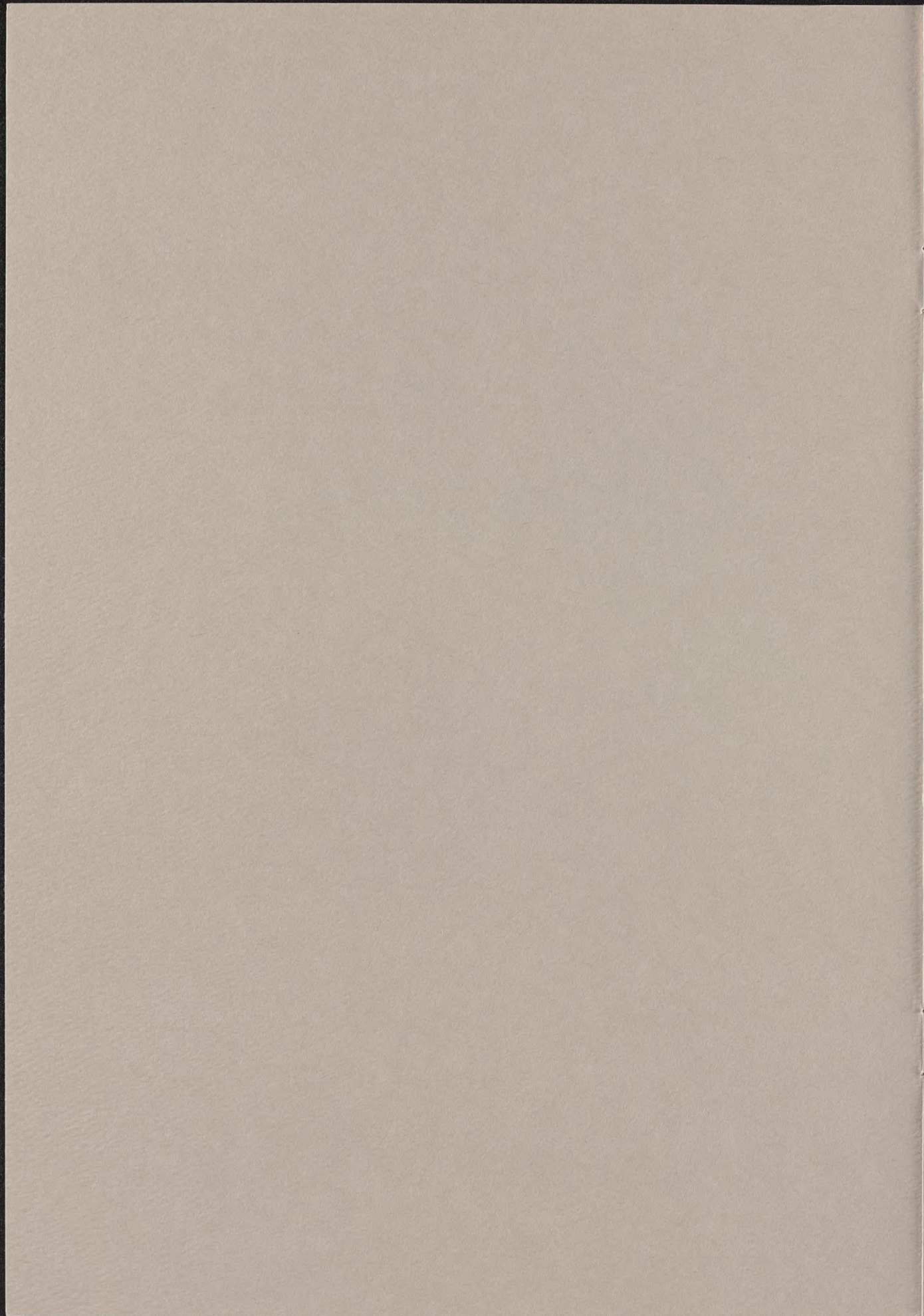
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**2002**

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**ANNUAL REPORT**

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Dear CFA Member,

In 2002, CFA and the CFA Foundation faced some of the stiffest challenges in our organization's history. Most importantly, anti-consumer policy initiatives considered by Congress and federal regulatory agencies threatened to seriously weaken health, safety, and pocketbook protections.

As the following report indicates, CFA advocates were vigilant and often effective in responding to these challenges. Their work, for example, significantly influenced congressional legislation on auditor reform and terrorism insurance, and regulatory decisions on food safety, product safety, telecommunications policies, and payday lender "rental" of bank charters.

The influence of CFA and its advocates was reflected in the growing extent of press coverage. Rarely a week went by when CFA representatives were not quoted in news stories on TV networks and major newspapers.

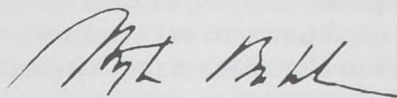
The growing interest in our work was also reflected in the rising number of visitors at CFA websites. By year's end, these sites were together receiving about 2 million hits monthly. The most popular was "SafeChild.net," which alone accounted for more than one-half of our website visits.

CFA's work in the past year with grassroots organizations on issues ranging from indoor air quality to firearm safety to media ownership to financial survival was especially noteworthy. By year's end, for example, the CFA-initiated America Saves campaign was working with 40 communities, and several national organizations, to organize savings initiatives.

One organizational challenge we faced was an EPA review of our work on several grants over the past six years. That review stimulated Board reconsideration of the structure of CFA and the CFA Foundation, and its decision to combine the operations of the two organizations into one tax-exempt non-profit called CFA.

Your support and encouragement helped make possible 2002 accomplishments. Our Chairman, Senator Howard Metzenbaum, CFA staffers, and I thank you for this backing and look forward to working with you in the coming year.

Sincerely,



Stephen Brobeck  
Executive Director  
March 1, 2003

# Advocacy

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## Major Accomplishments

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**Automobile Sales and Service:** CFA maintained a coalition of consumer groups and credit unions to oppose new state franchise laws that would further restrict consumer choice of automobile sales and service options. We prepared a new analysis of the consumer costs of these franchise laws, which we presented in testimony to the Federal Trade Commission. We commissioned surveys in three states — Massachusetts, Virginia, and Florida — that revealed strong consumer opposition to these laws. We built or strengthened consumer coalitions in these three states. And we convinced several key Massachusetts legislators that franchise laws were anti-consumer. The significant decline in auto dealer franchise-related initiatives nationwide may well have been related to our work demonstrating that any such initiative would be met with strong consumer resistance.

**Banking Protections for the Less Affluent:** CFA took the lead in opposing payday loans and other high-cost credit. We maintained and supported a coalition of more than 200 advocates nationwide who took action at both state and federal levels. In more than 20 states, with our assistance and with some success, these activists fought legislation to legalize anti-consumer practices and proposed our own pro-consumer reforms. In Washington, these grassroots advocates supported our efforts and those of our national partners to persuade several federal agencies — the OCC, OTS, and FDIC — to curb abusive payday loan practices. Our most significant success was convincing banking agencies to prohibit payday loan operators from “renting” bank charters. To protect the same consumers who were victimized by high-cost credit, CFA also took the lead in opposing legislation, written by creditors, that would restrict consumer access to bankruptcy relief. Our advocacy included coordinating a coalition, undertaking and publicizing new research, communicating to the press, and lobbying Congress. At year’s end, to our surprise and that of creditors, opposition from both consumer advocates and anti-abortion supporters in the House defeated legislation.

**Drinking Water Safety:** CFA and environmental groups consulted with the U.S. Environmental Protection Agency on how to assess and increase security of the nation’s water systems, and how to make quality water affordable to consumers served by small water utility systems. Most importantly, CFA served on and contributed recommendations of the National Small Systems Affordability Criteria Work Group.

**Electricity Consumer Protections:** Other consumer groups and many policymakers and regulators looked to CFA for expertise on complex restructuring issues. Drawing on the analysis in two reports we released during the year, we represented consumers as a member of the National Governors Association Task Force on Electricity Restructuring, presented a paper at a Federal Energy Regulatory Commission conference, submitted comments to this agency, and spoke to public power and consumer groups in several states. Fortunately, Congress could not agree on energy legislation which included anti-consumer electricity provisions. With environmental groups, we continued to challenge unsuccessfully the U.S. Department of Energy’s rollback of a rule on central air conditioning standards.

**Food Affordability:** CFA continued to lead consumer opposition to federal price supports for sugar, peanuts, and milk. This opposition included preparing an analysis of sugar prices; communicating to Congress, the U.S. Department of Agriculture, and the Office of the U.S. Trade Representative; and working with coalition members and importing countries. The farm bill passed by Congress substantially reformed the peanut program and improved the dairy program. But it made the sugar program even more anti-consumer.

**Food Policy Safety, Nutrition and Agricultural Biotechnology:** CFA's Food Policy Institute and the Center for Science in the Public Interest led national efforts to advance consumer food safety. CFA's leadership was particularly important and effective in limiting erosion in the federal meat and poultry safety program. Our efforts included organizing a well-reported protest outside the Department of Agriculture, debating food safety issues publicly with USDA leaders, circulating a leaked GAO report on failures in the safety program, and publicizing and explaining major outbreaks of food poisoning. USDA responded with modest but inadequate proposals to increase testing for *E. coli* O157:H7 and *Listeria monocytogenes* and to recall unsafe meat more quickly. But our advocacy was instrumental in persuading the Administration to choose a public health expert as administrator of the Food Safety and Information Service rather than candidates proposed by the meat industry. CFA continued to exercise consumer leadership on genetically engineered foods — serving on a USDA advisory committee and on the Pew Foundation's Stakeholder Forum — on country-of-origin labeling of meat and produce — lobbying successfully for its inclusion in the 2002 farm bill — and on food safety elements of bioterrorism legislation. CFA also continued to play a major role in advocating for increased attention to the nutritional value of food in the child nutrition programs and in the joint public-private efforts — the Partnership to Promote Healthy Eating and Active Living, and the Partnership for Food Safety Education.

**Health Care:** Most of our work in this area involved supporting changes in the Prescription Drug User Fee Act to improve drug safety and supporting pro-consumer legislation to make it more difficult for drug companies to block the introduction of new generic drugs. Our efforts on the PDUFA — which included leading a consumer coalition, communicating with the Food and Drug Administration and with Congress, and seeking media coverage — resulted in modest changes that will provide more funding for FDA safety oversight. Our support for generic drug legislation helped persuade the Senate to pass a pro-consumer bill on which the House failed to act.

**Housing Protections:** CFA continued to expand its work with other organizations on housing issues related to predatory lending and RESPA reform. These efforts included analyzing issues, preparing congressional testimony, writing to Congress, and submitting regulatory comments. Policymakers did not take action on either issue.

**Insurance Protections:** CFA led consumer opposition to legislation creating federally funded terrorism insurance, providing a federal chartering option for insurers, and restricting medical malpractice consumer remedies. Our continued opposition to terrorism insurance legislation written by insurers and supported by a broad industry coalition — which included analysis of insurer proposals, communications with Congress and the White House, and the generation of extensive press coverage — would probably have been successful had not President Bush strongly supported the measure. Our opposition to legislation permitting insurers to choose federal or state regulation — which included communications with Congress, governors, and state

insurance commissioners — raised serious questions about this measure. And, our federal and state opposition to anti-consumer medical malpractice reforms — which included research, congressional testimony, and press communications — presented convincing evidence that insurer business practices are the most significant cause of rising rates.

**International Issues:** CFA advocates expanded their work on an array of international issues, especially those involving Europe and the United States. We advised the Federal Trade Commission on its OECD proposals related to payment card protection, charge backs, alternative dispute resolution, and crossborder fraud. Through the TransAtlantic Consumer Dialogue, we worked with advocates in this country and Europe on issues ranging from food safety to e-commerce to trade. And for the first time, we communicated with the Office of the U.S. Trade Representative on important trade issues.

**Investor Protections:** CFA was the lead consumer group advocating auditor reform. We prepared a white paper, worked closely with congressional leaders on reform legislation, gave congressional testimony, lobbied for this legislation, drafted amendments for this legislation, tried to persuade SEC commissioners and staff to support reforms, communicated frequently with press, and mobilized support from other groups. Congress passed legislation incorporating several of our recommendations. We then tried, with mixed success, to ensure that the new regulatory oversight board would be independent and led effectively.

**Product Safety:** CFA continued to play a leadership role in urging the Consumer Product Safety Commission to support a broad array of pro-consumer measures. With other groups, we released a report on ATV safety and submitted a related petition to the CPSC requesting the prohibition of the sale of adult-size, four-wheel ATVs for use by children, which the Commission agreed to consider. In written and oral communications, we urged the agency to improve the safety of toys, playgrounds, and garage doors. In written testimony and other communications, we also urged Congress to adequately fund the Commission. Our efforts to promote the regulation of firearms were wide-ranging and included the coordination of national advocacy, the mobilization and support of state coalitions, the placing of op-ed pieces, and communications with Congress. Unfortunately, neither the House nor Senate passed bills that would regulate guns as consumer products and close a loophole allowing criminals to buy guns at gun shows. However, we did help defeat a bill that would have ended municipal and product liability suits against the gun industry.

**Telecommunications:** With Consumers Union, CFA took the lead on a broad range of telecommunications and media issues. Our opposition to the AT&T-Comcast merger included filing comments with the Federal Communications Commission, filing comments in six cities, and publishing a book on the subject. Our opposition to legislation allowing local phone companies to offer broadband Internet service mainly involved congressional lobbying. Our opposition to growing media concentration included the publication of consumer survey results, the preparation of reports, and the organizing of a “digital town hall” involving over 100 grassroots advocates. And our opposition to industry efforts to restrict consumer digital rights included research and analysis, congressional testimony, and communications to the FCC. Despite strong support from the FCC chairman and some members of Congress, none of these anti-consumer measures was approved.

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## Strategies

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CFA pursued several strategies in advocating more than 50 issues considered by Congress, federal regulatory agencies, state and local legislative bodies, and state regulatory agencies. These strategies included legislative and regulatory lobbying, coalition building and grassroots networking, advocacy-related research, and press outreach.

### 1. Legislative and Regulatory Advocacy

CFA's principal lobbying strategy was communicating information and viewpoints to members of Congress and other legislative bodies, their staffers, and regulators. Most of these communications took place in letters, individual conversations, and meetings. Their extent is suggested by the number of testimonies, comments and petitions submitted to legislative committees or regulatory agencies, and court-related actions.

Month	Committee/Agency	CFA Rep	Issue
January	FCC	Cooper	Cable TV
	NCSL	Hunter	Insurance regulation
	USDA	Foreman	Pizza standards
	FL PUC	Cooper	Phone rates
	VA Assembly	Fox	Payday loans
February	House Fin Serv	Brobeck	Financial education
	NAIC	Hunter	9/11 implications
	House Fin Serv	Hunter	Terrorism insurance
	USDA	Jaeger	Sugar supports
	SEC	Roper	Qualified purchasers
March	House Fin Serv	Roper	Auditor reforms
	Senate Banking	Metzenbaum	Auditor reforms
April	FCC	Cooper	AT&T-Comcast merger
May	Senate Commerce	Plunkett	Auditor reform
	CPSC	Weintraub	Toy safety
	FCC	Cooper, CU	Phone deregulation
June	VA Corp Comm	Fox	Payday loans
July	House Commerce	Cooper	Internet competition
	House Commerce	Plunkett	Medical malpractice
	Senate Commerce	Metzenbaum	Auditor reform
	FCC	Cooper	Internet competition
	FCC	Cooper	Unlicensed spectrum
	FCC	Cooper	Unbundled networks
FCC	Cooper	Digital tuners	

August	CPSC SEC	Weintraub Roper	ATV safety Auditor oversight
September	FTC DOE SEC	Cooper Hall-Crawford Roper	Auto sales/service Appliance efficiency Auditor oversight
October	US Trade Rep FTC	Jaeger Metzenbaum	Sugar/peanut tariffs Internet competition
November	FDA FCC VA Corp Comm FERC	Plunkett Cooper Fox Cooper	Drug patents Media ownership Payday loans Market design

## 2. Coalition Building

CFA's unique character as a federation of 300 national, state, and local organizations provided opportunities to build and maintain national coalitions on federal and state policy issues. We played a key role in maintaining coalitions on Microsoft remedies, auto sales and service, consumer bankruptcy, payday lending, food safety, prescription drug regulation, federal insurance chartering, firearm safety, ATV safety, playground safety, and digital democracy.

## 3. Public Education: The Press

In addition to reacting to hundreds of stories, CFA frequently made news. In 2002, we generated 36 stories that were reported on by the national press. Also, we worked with other groups in organizing press conferences that led to additional coverage. And, we placed a number of op-ed essays and letters to the editor.

Publication	Author	Issue
<i>Best's Review</i>	Hunt	Life insurance
<i>New York Times</i>	Hall-Crawford	Appliance efficiency
<i>Washington Post</i>	Jaeger	Food labeling
<i>Washington Post</i>	Hunter	Terrorism insurance
<i>New York Times</i>	Cooper	Deregulation
<i>Baltimore Sun</i>	Hystad/Peschin	Firearm safety
<i>Herald-Sun</i>	Lamb/Peschin	Firearm safety
<i>The Regulator</i>	Hunter	Enron
<i>Washington Post</i>	Weintraub	Playground safety
<i>St. Paul Pioneer Press</i>	Weintraub	ATV safety



#### 4. Public Education: Research

CFA staff prepared many studies demonstrating the need for the adoption of new consumer protections or the preservation of existing protections. Most of the following publications were reported on by the media.

<b>General</b>	<i>Annual Consumer Complaint Survey</i> (Fox, NACAA)
<b>Banking</b>	<i>Credit Score Accuracy and Implications for Consumers</i> (Scriber, NCRA) <i>The Debt Cycle: Using Payday Loans To Make Ends Meet</i> (Fox) <i>Tax Preparers Peddle High Priced Tax Refund Loans: Millions Skimmed from the Working Poor and U.S. Treasury</i> (Fox, NCLC) <i>Credit Card Marketing, Credit Extension, and Debt</i> (Brobeck, Plunkett)
<b>Electricity</b>	<i>All Pain and No Gain: Restructuring and Deregulation in the Interstate Electricity Market</i> (Cooper)
<b>Insurance</b>	<i>How the Lack of Federal Back Up For Terrorism Insurance Has Affected Insurers and Consumers</i> (Hunter)
<b>Investments</b>	<i>Investor Protection Lessons from the Enron Collapse and An Agenda for Reform</i> (Roper) <i>Black American Personal Wealth: Current Status</i> (Brobeck) <i>Wealth-Poor Households in the U.S.</i> (Montalto, NCUF) <i>Financial Planning Public Opinion Survey</i> (Brobeck, ORCI)
<b>Product Safety</b>	<i>ATV Safety Crisis: American Children at Risk</i> (Weintraub, others) <i>Playing It Safe: The 6th Nationwide Safety Survey of Public Playgrounds</i> (Weintraub, USPIRG)
<b>Telecom</b>	<i>Public Support for Media Diversity and Democracy in the Digital Age</i> (Cooper) <i>The Failure of Intermodal Competition in Cable and Communications Markets</i> (Cooper) <i>Inequality in the Digital Society: Why the Digital Divide Deserves All the Attention It Gets</i> (Cardozo Arts and Entertainment Law Journal) (Cooper) <i>Promoting Democratic Discourse and Open Communications Networks in the Digital Information Age</i> (Cooper)

# Member Services

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## Conferences

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The most important CFA meetings were built around Consumer Assembly 2002, the nation's largest annual consumer conference. The more than 300 persons in attendance at this March event heard speakers — including Senator Jack Reed, Representative Melvin Watt, Representative Richard Baker, FTC Chairman Timothy Muris, and *Wall Street Journal* Washington Bureau Chief Gerald Seib address issues related to the theme of public policy challenges in the 21st century.

During this week, representatives from CFA member groups conducted the business of the federation. Members of 14 policy subcommittees met to review past policies and recommend new ones. These recommendations were submitted to and voted on at the Annual Meeting, where Board members were also elected.

To address specific issues more thoroughly, CFA organized three issues conferences. In May, more than 200 persons heard Representative John Dingell, former Senator George McGovern, acting FDA head Lester Crawford, USDA Under Secretary for Food Safety Elsa Murano, and others discuss food safety and nutrition issues at CFA's food policy conference. In October, 120 persons heard analyst Scott Cleland and others address consumer telecommunications and electricity issues at CFA's 20th annual utility conference. In November, more than 200 persons heard Senator Richard Shelby, Senator Jon Corzine, SEC Commissioner Harvey Goldschmid, and others discuss banking, insurance, and investment issues at CFA's 18th annual financial services conference.

In June, nearly 500 persons participated in CFA's 32th annual Awards Dinner to recognize distinguished consumer service. Awards were presented to Senator Richard Durbin, Representative John Conyers, and CFA's J. Robert Hunter. Also, many senators helped CFA celebrate the 85th birthday of CFA's Chairman, Senator Howard Metzenbaum.

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## Publications

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CFA member organizations received the following publications.

- Six issues of CFA's newsletter, CFAnews, which reports consumer news and advocacy.
- The 2002 policy resolutions adopted at CFA's Annual Meeting.

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## Consumer Cooperative Advisory Group

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CFA continued to coordinate work of a group of national cooperative leaders who met quarterly to exchange information and discuss challenges. The group initiated research on co-op demutualization that cooperative leaders found of great interest.

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## State and Local Resource Center

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The CFA Foundation's State and Local Resource Center exists to strengthen state and local member groups by supplying them with information, technical assistance, and resources. With grants from Consumers Union's Colston Warne Fund and other sources, we provided state and local organizations with the following services.

- \$65,325 in organizational or emergency grants to 13 organizations.
- \$164,120 in foundation or government funded project grants to 39 organizations.
- \$25,000 in travel grants to attend conferences.
- A state and local listserv.
- Conference calls and training sessions on topics such as payday lending, media policy, firearm safety, indoor air quality, and energy efficiency.
- Several mailings with information on resources and issues.
- One-on-one technical assistance to many groups plus responses to calls and e-mails from dozens of other groups.

# CFA Foundation

The CFA Foundation undertook many consumer research and education projects with assistance from foundation and government grants.

**Agricultural Biotechnology:** With a third major grant from the Rockefeller Foundation, CFAF continued its efforts to educate the public about the need for a more rigorous and effective regulatory system for products of agricultural biotechnology and to develop the requirements for such a system. In pursuit of this goal, CFAF staff participated actively in the Stakeholder Forum established by the Pew Foundation to seek agreement on the elements of an appropriate regulatory system, delivered major speeches on the regulatory process for plant and animal biotechnology, and developed data on the need to regulate animal cloning. CFAF staff also utilized this grant to participate as a member of the Agricultural Policy Advisory Committee for Trade.

**Child Safety Website:** CFAF's comprehensive child safety website continued to grow in coverage and popularity. Providing information for parents, professionals who interact with children, and child safety advocates, the website offered several hundred articles, a monthly listserv e-mail service, and the only searchable database for toy recalls. SafeChild.net has won numerous awards including the Golden Web Award for excellence from the International Association of Web Masters and Designers and the Gold World Wide Health Web Award from the Health Information Resource Center. Last year, in part because of extensive press coverage, the website's popularity grew from several hundred thousand hits per month to well over one million hits per month.

**Consumer Literacy Consortium:** CFA continued managing this group of 25 leading consumer educators whose principal goal, since 1995, has been the dissemination of 66 money-saving tips. Last year, these tips were publicized through "66 Ways to Save Money" pamphlets, a related website with links to supplementary information from government sources, and dozens of other websites. By year's end, in part because of an article in *Parade Magazine*, an additional 40,000 pamphlets had been distributed, bringing the seven-year total to more than 1.4 million.

**Digital Democracy:** With the support of the Ford Foundation, CFAF continued to address the issue of media ownership concentration and its effect on diversity of programming and civic participation. Our work included communicating with the FCC and enlisting the support of nine state or local groups to mobilize grassroots support for media diversity. Nearly 100 organizations and individuals participated in a "digital town hall" that discussed and adopted media policy principles.

**Energy Efficiency:** CFAF continued to receive support from EPA to increase public awareness of the economic, health, and environmental benefits of energy efficient products. As in previous years, we coordinated the work of state and local groups, maintained a website, and distributed related publications. For the first time, we developed a community outreach initiative in Washington, D.C., which featured public service announcements on bus shelters and radio stations, and Earth Day posters at area libraries and schools. And, we also sought to develop interest on college campuses by writing to college and university presidents and trying to place articles in campus newspapers.

**High-cost Credit:** With support from Annie E. Casey Foundation, CFAF sought to increase grassroots awareness and expertise about payday lending and other high-cost loans. We began original research, developed and staffed a national clearing-house, maintained a listserv of more than 200 activists, and organized five local forums for consumer and community leaders.

**Home Ownership:** With support from the Fannie Mae Foundation, CFAF worked with national and local housing organizations to develop home ownership initiatives within the America Saves campaign (see below). We also released a study and pamphlet on credit scores, and undertook education and advocacy related to predatory mortgage lending.

**Indoor Air Quality:** CFAF continued to receive EPA grants to educate consumers about indoor air pollution. Much of our work tried to reduce high radon levels in homes. That was the purpose of public service announcements, which received \$12 million in donated air time. That was also the goal of our Radon Fix-It Program, which responded to information requests from 5000 consumers, and of our new related website, [www.radonfixit.org](http://www.radonfixit.org). Most other indoor air quality work sought to reduce exposure to secondary tobacco smoke. Related PSAs received more than \$1 million in donated air time, and smoke free home pledge materials were developed and produced. Eight state and local groups worked with us to educate consumers about a broad range of indoor air quality threats.

**Regulating Guns as Consumer Products:** With funding from the Joyce and MacArthur foundations, and with assistance from ten state and local groups, CFAF continued to educate consumers and policymakers about regulating firearms as consumer products. That education included the release of research on firearm-related deaths and injuries among children, the publication of op-ed essays in newspapers, the creation and promotion of a print public service announcement for parenting magazines, written and oral communications to lawmakers, and the organization of a conference for grassroots activists.

**Wealth-Building in Lower-Income Households:** CFA continued to take the lead in organizing a national social marketing campaign, America Saves, to encourage and persuade lower-income Americans to save and build wealth. In the past year, the number of communities that are organizing savings campaigns increased from 5 to 40. These local campaigns — which we supported through technical assistance, publications, a national Saver database, and grants — involved nearly 500 organizations, stimulated more than 2.5 million hits on our website, and enrolled more than 8,000 Savers. At year's end, we had begun special outreach efforts to military personnel, African-Americans, Hispanics, women, and youth.

*CFA and CFA Foundation Finances*

The loss of a government grant and lower spending than anticipated on foundation grants, with larger-than-anticipated income deferred to 2003, help account for a small overall deficit for the two organizations.

	CFA	CFAF
Income	\$874,074	\$2,412,945
Expenses	1,052,586	2,283,264
Net Assets	573,929	742,192
Deferred Income	50,000	1,180,388



